

BANKS ARE STRONG, BUT FACE ISSUES

Have Supplied Ample Credit at Low Price, but Meet Hostile Criticism—Sound Central Banking Policies Needed to Avoid Dangers.

Peculiar problems undoubtedly must be faced by the Federal Reserve system and its member banks during the coming year. The fact that conditions have developed on the whole more satisfactory than in 1922 than had been expected, and that the banking system as a whole is now in an exceptionally strong position is made plain by the analysis of current reports to the Federal Reserve Board, as well as by the definite statements to that effect found in the report of the Secretary of the Treasury. Millions point out that there has been a very substantial increase in liquidity, long-term and even obligations being reduced, while the Federal Reserve banks themselves have shown remarkable power to contract, just as they have previously shown unusual capacity to expand.

Bank Service Unquestioned.
The year 1922 has also been a period of much happier and better relations than was 1921. Few or none have questioned the adequacy of the banking service that has been rendered to the community. Money rates have been low and credit has been so abundant to all legitimate borrowers that it was not even necessary for reserve banks to discount among themselves, as they have been in the habit of doing during the past three years. This ought to have brought about a much more satisfactory situation, but instead of that it is probably true that there has never been so great a multitude of hostile bills in Congress as there are today. Indeed, with the season just opening work has already begun upon a rural credits measure which may result in something at least approaching disaster should it be allowed to become law on the lines already indicated. Whether it will do so or not is still uncertain, but in the meantime (as already stated) the year 1922 has been a period of unquestioned efficiency in banking service in practically all parts of the country.

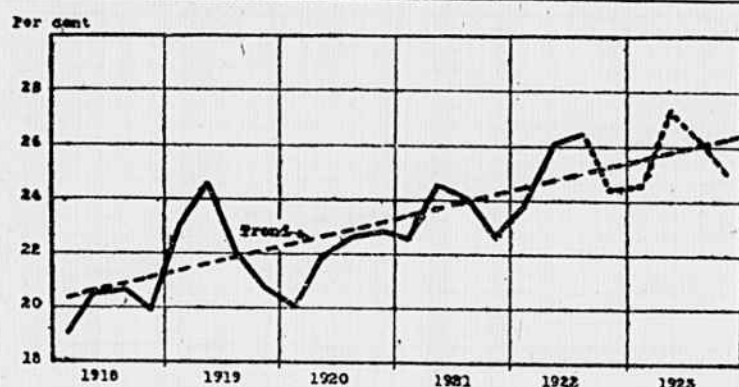
System Faces Dangers.
There is undoubtedly recognition in official circles of dangers in which the banking system is confronted and as a result a stronger disposition exists among politicians to try to place the general public, which looks toward the banks with this attitude prevalent, the question whether rates can be raised in the near future is very serious. Undoubtedly the difficulty is raised, and that without much delay, since the prevalent market rate is now distinctly ahead of the reserve rate. But the question whether they can be disposed of, especially in view of the widespread belief that low rates of reserve banks mean low rates in the market, is thought to be such a serious one that it has not been established in our banking system. Grave danger is thus seen to our financial institutions, and new legislation, not also in the matter of administrative policy, due to the unsatisfactory situation which exists in our banking system.

Scattering of Gold.
The question whether it is wise and right to allow the vast gold accumulations to become scattered through the country moved in order to prevent an unduly high rate from showing itself at reserve banks does not seem on the surface to admit of two answers. If the gold were normally ours and could be expected to remain here indefinitely there might be argument for this policy, but the gold is not ours in any true sense, and it may very reasonably be expected that the time will come in the early future when we shall be called on to transport a substantial part of it to foreign countries in order to get back to a footing of gold redemption. That being the case, the plan of seeking to pay out the metal now being increasingly questioned appears impractical. The question is probably one that will have to be dealt with in some statutory way in the near future. It has not been dealt with in that way thus far. During the war we pursued the policy of accumulating or "conserving" gold, and since the war our policy has been to keep it in the United States, and to use it in further enlarging our gold holdings. At the same time, however, we seek to pay out the gold, although we all recognize that a good deal of it must go back to Europe if European countries are to be able to get back to the specie standard at any time in the near future.

Membership of Federal Reserve.
The hazards of the coming year are not entirely international in nature, they relate wholly to legislative matters. There is undoubtedly a feeling of dissatisfaction with the Federal Reserve system. This is seen in moderate withdrawal of members and failure to expand membership further, but it is more evident in the dissatisfaction which has led to efforts to break down the par collection system and is likely to lead eventually to a demand on the part of country banks for legislation looking in the right direction. Apart from this, is the fact that a few members of the system have been repelled by the political attitude of the administration towards it and are today inclined to withdraw, in the absence of a general revision of policies and also of methods on the part of those who are not in entire sympathy with the system. A very considerable revision of our banking policy may become needful in the near future.

Branch Banking Complications.
Included in the question of banking policy is likely to be the present situation as to branch banking. The ruling of the Federal Reserve Board has been that the Federal Reserve banks have been disinterested in various banks, although for very different reasons in different cases. In some cases the objection that has been made is to the policy of the Federal Reserve Board, and in others it is to the fact that it would continue very much further it would not be reasonable to expect it to see the Federal Reserve system considerably weakened through withdrawals from membership. Such a withdrawal in some districts might be sufficiently numerous to hurt the system very badly by diminishing its prestige. This would be especially true in view of the fact that Congress is just now endeavoring to extend the borders of the system by letting down the bars to the admission of State banks that are not at

CRUDE OIL YIELDS MORE GASOLINE



The chart above shows the ratio of gasoline produced to crude oil consumed in the United States by quarters from 1918 to 1923, with the last quarter of 1922 and the four quarters of 1923 estimated. The curve, therefore, reflects our steadily increasing ability to convert a growing percentage of the crude oil supply into gasoline. The trend of the growth of this facility is indicated by the upward sloping straight line. It is obvious that part of the annual increase in the demand for gasoline can be met in this manner without recourse to an additional volume of crude petroleum. The increase in gasoline manufacturing efficiency doubtless would have been greater if the supply of crude petroleum had been less abundant.

MEMBERS OF LABOR BOARD SHOULD REPRESENT PUBLIC

Partisan Representation Should Be Abolished—Southern Pacific Is Contemplating Heavy Expenditures for Equipment.

Since 1909 railway wages have increased 159 per cent, while wholesale prices have increased 54 per cent and railway freight rates only 60 per cent. Since 1913, the year just before the European war, railway wages have gone up 125 per cent, and railway freight rates 69 per cent, or not quite half as much. As the railways must pay wages from proceeds of rates, it is obvious there can be no upward trend of wages without an increase in freight rates and that, conversely, to increase or maintain revenues a fall in wages must precede reductions in freight charges.

Although railway traffic, measured by car loadings, has been very high for some months, net returns from proceeds of rates, it is obvious there can be no upward trend of wages without an increase in freight rates and that, conversely, to increase or maintain revenues a fall in wages must precede reductions in freight charges. Although railway traffic, measured by car loadings, has been very high for some months, net returns from proceeds of rates, it is obvious there can be no upward trend of wages without an increase in freight rates and that, conversely, to increase or maintain revenues a fall in wages must precede reductions in freight charges.

Partisan representation on the Railroad Labor Board should be abolished, all members should represent the public, and to secure such a relation of income to output as to make the payment of established rates possible, the control of both should be vested in the same body, the Interstate Commerce Commission. The roads have, with few exceptions, recruited their shop forces quite up to, and in many cases above, normal. They have not yet been able to make good the equipment maintenance deferred by the Federal railroad administration. This is shown by the following table giving the percentage of freight cars requiring repairs in January, 1918, when the roads were taken over by the United States government; in July, 1921, when the railways had returned to private control, had succeeded in restoring the home lines' cars to home rails that had been scattered all over the country; in July, 1922, when the shop strike began, and on November 15, 1922, the last date available when shop forces had been substantially restored:

Date	Per cent of unserviceable freight cars
January, 1918	5.1
July, 1921	15.4
July, 1922	14.1
November 15, 1922	10.4

I believe the physical condition of the roads is better than it was in 1918.

I believe that the tentative plans for consolidation of the Interstate Commerce Commission are superior to others that have been suggested, because, to quote its language, it has "sought to minimize dismemberment of existing lines or systems." This condition is vital to the success of any consolidation plan.

The most pressing problem in connection with the transportation situation is the restoration of railway credit through the imposition of rate schedules that will result in a return to railroads upon their investment at least equal to that contemplated in the transportation act and by the Interstate Commerce Commission; otherwise the roads cannot give the public the quality of service which it expects and the amount of facilities that will be needed every year to properly develop our country. This is a matter in which the public is concerned equally with the owners of the railroads. If adequate and efficient railway facilities are necessary to the prosperity of the country, as all must admit, they cannot be furnished unless the public is willing to allow laws passed by their representatives an opportunity to revenue and produce sufficient net return to keep railroads properly and credit up to a high standard.

One Head, Two Missing in Fire.
AT MORE, OKLA., Dec. 30.—At least one person was killed and two blocks of frame business buildings were destroyed in an early morning fire here today. Two other persons are reported missing.

Hoover Heads Foresters.
BOSTON, Dec. 30.—Prof. Ralph S. Hooper of Cornell University today was elected president of the Society of American Foresters.

TRANSPORTATION ACT CHANGES ARE OPPOSED

Head of New Haven Road Discusses Carrier Conditions.

CONSOLIDATE REGULATION
Opinion Advanced That Same Body Should Control Both Freight Rates and Wage Scales—Fair Return on Investment Owners' Demand.

By E. J. Pearson,
President New York, New Haven & Hartford Railroad.

There are so many factors involved in the question of rate and wage adjustments that it seems impossible at this time to give any well-formed opinion as to what action may be taken in this regard. Railroad conditions since the passing of the transportation act have been so abnormal that there has not been opportunity to determine its full effectiveness. The act was a constructive piece of legislation and it is believed should not be changed or amended until it has been given a thorough trial. One change, however, that is felt would be of great benefit is the placing in some manner of the power to fix railroad wages and railroad rates by one body.

Shop Force Abundant.
As far as this company is concerned, its shop forces at the present time are in excess of the number just prior to the strike. These forces

are efficiently handling the present current requirements and steady progress is being made in overcoming deferred equipment maintenance which necessarily accrued during the first few months of the trouble. With the exception of deferred maintenance of locomotives and cars due to the strike, the general physical condition of the New Haven is good. It is impossible to state at this time what amounts will be spent on materials and supplies, also rail during the coming year. The only new equipment that will be purchased is twelve passenger electric locomotives for use in the service on the New York division, which will cost approximately \$1,000,000.

No New Financing Needed.
No new financing will be needed by the New Haven during 1923. It is impossible to estimate the requirements of other railroads. With the purchase of additional freight cars and equipment which many roads are making and their efforts to put their present equipment in good condition, railroads generally should be able to satisfactorily handle a considerable increase in business in 1923 without difficulty.

Speaking generally the plan for the consolidation of the railway property of the continental United States into a limited number of systems is regarded as a step toward making the cost of transportation as between competitive systems and as related to the values of properties through which the lines are run, substantially equal. The plan partially fits in with the East and West systems between the Atlantic seaboard and the North and South systems running to the Gulf of Mexico. There may be and probably are a number of systems such as in Michigan and in New England which are so distinctly terminal in their character that they should be regarded as terminals for the larger systems and operated as a group of terminals under conditions which will permit all connections to obtain similar terminal service at equal rates.

Entitled to Fair Return.
The problem in connection with the transportation situation, which is undoubtedly the most pressing at this time, is to obtain for the railroads what the transportation act says they are entitled to—to wit, a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation—such net railway operating income to be derived from rates so fixed that the carriers will be able to earn, if they are honestly, efficiently, and economically managed, such a return for the property. If such a return is not obtainable by the carriers sooner or later the problem of operating the American railroads will have to be turned over to the government, because an investor is going to continue to put money into property upon which a fair return cannot be realized, and no railroad will keep up with the business unless it makes considerable expenditures of new capital.

The Week's Weather.
WASHINGTON, Dec. 30.—Weather outlook for the week beginning Monday, Middle Atlantic States: Snow or rain over North and rain over South at beginning of week and again about Thursday or Friday. Temperature about normal. South Atlantic and East Gulf States: Rain at beginning of week and again about Thursday or Friday; otherwise fair. Temperature normal or above until near end of week, then colder.

Capacity

—Is—

Capacity

—It Cannot Be Gone Beyond

WE ARE Moving! New Quarters! Better Quarters for the displaying of New Factory Models. But, Alas! We cannot take along with us the unusual lot of fine Used Cars which we have on hand now. These Cars have been traded in to us on New Studebaker Automobiles. The prices we ask are astounding. Why? you ask. Simply because they are unbelievably low! The Cars are in tip-top shape and ready to drive out right away. Whatever you do, people, look at these, and then you'll realize just what bargains they are. When you stop in you won't have to be convinced, because "Seein' is believin'."

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STUDEBAKER, '22 Series, Big Six Touring	\$150.00
OVERLAND, '22 Series, Touring	\$300.00
STUDEBAKER, '21 Series, Big Six Touring	\$875.00
FRANKLIN, '20 Series, Touring	
PAIGE, '20 Series, Touring	
STUDEBAKER, '21 Series, Special Six Roadster	\$600.00
BRISCOE, '19 Series, Touring	\$200.00
CHALMERS, '19 Series, Touring	\$350.00
STUDEBAKER, '19 Series, Special Six Touring	
PAIGE, '18 Series, Touring	\$250.00
STUDEBAKER, '19 Series, Special Six Touring	\$300.00
STUDEBAKER, '21 Series, Big Six Touring	\$800.00
WILLIS-KNIGHT, Model 88-4T	\$650.00
STUDEBAKER, '20 Series, Big Six Touring	\$750.00
STEPHENS, '20 Series, Touring	\$175.00
STUDEBAKER, '18 Series, 7-Passenger Touring	\$300.00
AMERICAN, '21 Series, Sedan	\$150.00
STUDEBAKER, '20 Series, Special Six Touring	\$775.00
BUICK, '17 Series, Touring	\$200.00
OLKAND, '20 Series, Touring	\$250.00

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Domestic Exports of Coal Decrease
[By Associated Press.]
WASHINGTON, Dec. 30.—Domestic exports of coal for November aggregated 2,658,245 tons, against 1,081,843 tons for November last year, according to figures made public today by the Department of Commerce.
The total exports for the month represent 1,618,037 tons of bituminous and 440,208 tons of anthracite, while the exports of bituminous in November, 1921, were 1,078,806 tons and of anthracite 229,380 tons.
The total coal exports for the eleven months ending December 1 were 11,907,824 tons. Exports for the corresponding period last year were 23,692,659, the difference being traceable, according to officials, to last summer's strike.

Canadian Exports Increase.
WASHINGTON, Dec. 30.—Canadian exports to the United States for October, the first complete month in which the new tariff law was effective, totaled \$32,885,109, compared to \$28,016,476 in the same month of last year.